

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:

BMD ENTERPRISES, LTD.  
RONALD M. TOPPING  
NORTHWEST EAGLE, INC.  
RELIANT OF AMERICA, INC.  
NORTHWEST RELIANT, INC.  
ROGER A. CHINN  
E. ARLENE CHINN  
DONALD M. VORIES,

Respondents.

SDO 00 – 44

CONSENT ORDER AND ORDER VACATING  
SDO 42 – 99 AS TO BMD ENTERPRISES, LTD.

Case No: 97-07-368

THE STATE OF WASHINGTON TO:     BMD ENTERPRISES, LTD.

Pursuant to the Securities Act of Washington, the Securities Division of the Department of Financial Institutions and BMD Enterprises, Ltd. do hereby enter into this CONSENT ORDER in settlement of the above captioned matter. BMD Enterprises, Ltd. hereby consent to the entry of this CONSENT ORDER. BMD Enterprises, Ltd. acknowledge the Securities Division's jurisdiction over this matter and its authority to enter this CONSENT ORDER.

The Securities Division has, in SDO 42 – 99, made certain allegations and conclusions, set forth under the headings "Tentative Findings of Fact" and "Conclusions of Law" in SDO 42 – 99, STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND DESIST which are hereby incorporated by reference into this CONSENT ORDER and set forth below.

CONSENT ORDER AND ORDER  
VACATING SDO 42 – 99 AS TO BMD  
ENTERPRISES, LTD.

1

**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27

## 2

## 3

4  
5  
6

8  
9  
10

11  
12  
13  
14  
15  
16

17

18

19  
20  
21  
22

4. **RELIANT OF AMERICA, INC.** (“Reliant of America”) is a Washington corporation that also purports to have the “exclusive” right in the United States to market, sell, and distribute electric vehicles produced by Good Pace. Reliant of America also obtains investor funds for BMD Enterprises and its subsidiaries, including Good Pace and Mini Motors. Reliant of America’s principal place of business was at 1513 Central Ave., College Place, WA at all times relevant herein.

5. **NORTHWEST RELIANT, INC.** (“Northwest Reliant”) is a Washington corporation that purports to be a wholly-owned subsidiary company of Northwest Eagle and Reliant of America. Northwest Reliant was purportedly formed to finance Mini Motors. Northwest Reliant’s principal place of business was at 1513 Central Ave., College Place, WA at all times relevant herein.

6. **ROGER A. CHINN** (“R. Chinn”) has been the president and chairman of the board of Northwest Eagle, the president of Reliant of America, and the president of Northwest Reliant. R. Chinn was also a director of BMD Reliant Motors, Ltd., currently known as BMD Motors, Ltd. R. Chinn resides at 1513 Central Ave., College Place, WA, which is the principal place of business of Northwest Eagle, Reliant of America, and Northwest Reliant.

7. **E. ARLENE CHINN** (“A. Chinn”) has been the secretary and treasurer of Northwest Eagle, the secretary, treasurer, and president of Reliant of America, and the secretary for Northwest Reliant. A. Chinn also resides at 1513 Central Ave., College Place, WA, which is the principal place of business of Northwest Eagle, Reliant of America, and Northwest Reliant.

8. **DONALD M. VORIES** (“Vories”) was an agent of Northwest Eagle with respect to the matters set forth herein. Vories resides at 1435 Central St., College Place, WA.

## II.

## INTRODUCTION

Beginning in March 1994 and continuing through July 1998, Northwest Eagle, Reliant of America, Northwest Reliant, and BMD Enterprises, through their agents, including R. Chinn, A. Chinn, and Vories, obtained more than \$3,000,000 from more than 300 investors, at least 100 of whom were Washington residents.

1 These funds were raised by selling Northwest Eagle stock, Reliant of America stock, BMD Enterprises stock and  
2 warrants, and Northwest Reliant promissory notes.

### 3 **III.**

#### 4 **THE OFFERING BY NORTHWEST EAGLE, RELIANT OF AMERICA, AND BMD ENTERPRISES**

##### 5 **A. SALES OF UNREGISTERED SECURITIES**

###### 6 **1. Sales of Unregistered Northwest Eagle Securities**

7 Between March 1994 and July 1998, Northwest Eagle, R. Chinn, A. Chinn, and Vories collectively sold  
8 more than \$2,000,000 in Northwest Eagle stock and BMD Enterprises stock and warrants to more than 250  
9 investors, at least 100 of whom are Washington residents. In addition, Northwest Eagle and R. Chinn also sold  
10 royalty interests to at least eight Washington investors as part of the investment between at least March 1995 and  
11 March 1996. At all times relevant herein, the offers and sales of all securities by Northwest Eagle were not  
12 registered with the Securities Division. Although Northwest Eagle filed two claims of exemption from  
13 securities registration with the Securities Division, Northwest Eagle did not comply with all conditions of those  
14 exemptions, and therefore, the securities offered and sold in this offering were not exempt from securities  
15 registration.

###### 16 **a. Rule 504 Claim of Exemption from Securities Registration**

17 During February 1994, Northwest Eagle filed a claim of exemption from securities registration to sell its  
18 stock pursuant to WAC 460-44A-504 ("Rule 504") with the Securities Division. This claim of exemption  
19 became effective February 18, 1994. The claim of exemption filed by Northwest Eagle stated that Northwest  
20 Eagle was conducting a \$250,000 offering and would sell 2,500,000 shares of its stock for ten cents per share.  
21 This claim of exemption did not include offers and sales of Northwest Eagle royalty interests or BMD  
22 Enterprises stock and warrants.

23 Rule 504 permits an offering of securities if certain conditions are satisfied. Northwest Eagle did not  
24 comply with the conditions of the exemption. First, Rule 504 prohibits payment of commissions, fees, or other

remuneration, directly or indirectly, to any person for soliciting prospective Washington purchasers. Northwest Eagle compensated individuals for soliciting prospective Washington purchasers of its stock during the offering. Second, with respect to all sales to Washington non-accredited investors one of the following conditions must be satisfied: (a) the investment be suitable; (b) the purchasers have such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the merits and risks of the investment; or (c) Northwest Eagle and its agents have reasonable grounds to believe and after making reasonable inquiry shall believe that, as to each purchaser, (a) or (b) is satisfied. Northwest Eagle failed to satisfy any of these conditions with respect to some non-accredited Washington investors. Third, Northwest Eagle failed to restrict its stock. Finally, Rule 504 limits the aggregate offering price to \$500,000 within a twelve-month period. Northwest Eagle exceeded this \$500,000 limit. Because Northwest Eagle did not comply with all conditions of Rule 504, the securities offered and sold in this offering were not exempt from registration.

**b. Rule 506 Claim of Exemption from Securities Registration**

In March 1996, Northwest Eagle filed a claim of exemption from securities registration pursuant to WAC 460-44A-506 ("Rule 506") with the Securities Division. The exemption filing did not state any offering amount in which Northwest Eagle intended to sell its securities under the Rule 506 exemption. The filing only stated dollar amounts for securities that had already been sold and that those proceeds were used to purchase BMD Enterprises stock and warrants.

Notwithstanding the filing of a Rule 506 claim of exemption, Northwest Eagle did not comply with the conditions of the Rule 506 exemption. First, at the time of the Rule 506 filing, Northwest Eagle was required to file the Rule 506 notice no later than ten business days prior to receipt of consideration or delivery of a signed subscription agreement by a Washington investor. Northwest Eagle did not comply with this requirement. Second, the Rule 506 exemption restricts sales of securities to no more than 35 non-accredited investors who must be sophisticated in that they must have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the investment. Northwest Eagle, R. Chinn, and A.

Chinn sold securities to some non-accredited investors who were not sophisticated and Northwest Eagle, R. Chinn, and A. Chinn had no basis to reasonably believe that they were sophisticated. Third, Northwest Eagle, R. Chinn, and A. Chinn did not provide non-accredited investors financial statements for Northwest Eagle, including audited balance sheets, or other offering materials as required by the Rule 506 exemption. Because Northwest Eagle did not comply with all conditions of Rule 506, the securities offered and sold in this offering were not exempt from registration.

## **2. Sales of Unregistered Reliant of America Securities**

Between October 1995 and June 1997, Reliant of America, R. Chinn, and A. Chinn sold more than \$900,000 in Reliant of America stock and BMD Enterprises stock and warrants to more than 60 investors, at least 5 of whom are Washington residents. At all times relevant herein, the offer and sale of all securities by Reliant of America was not registered with the Securities Division. Although Reliant of America filed a claim of exemption from securities registration with the Securities Division, Reliant of America did not comply with all conditions of the exemption it claimed, and therefore, the securities offered and sold in this offering were not exempt from securities registration.

### **Rule 504 Claim of Exemption from Securities Registration**

During June 1994, Electric Vehicles, Inc., currently Reliant of America, filed a claim of exemption from securities registration pursuant to WAC 460-44A-504 ("Rule 504") with the Securities Division. The claimed Rule 504 exemption filed by Electric Vehicles, Inc. stated that it was conducting a \$250,000 offering and would sell 2,500,000 shares of its stock for ten cents per share. Although this claim of exemption became effective on or about June 28, 1994, Reliant of America did not begin selling its stock until October 1995. This claim of exemption did not include sales of BMD Enterprises stock and warrants.

Rule 504 permits an offering of securities if certain conditions are satisfied. However, Reliant of America did not comply with these conditions. First, with respect to all sales to Washington non-accredited investors one of the following conditions must be satisfied: (a) the investment is suitable, (b) the purchaser has

1 such knowledge and experience in financial and business matters that the purchaser is capable of evaluating the  
2 merits and risks of the investment, or (c) Northwest Eagle and its agents have reasonable grounds to believe and  
3 after making reasonable inquiry shall believe that, as to each purchaser, (a) or (b) is satisfied. Reliant of  
4 America failed to satisfy any of these conditions with respect to some non-accredited Washington investors.  
5 Second, Reliant of America failed to restrict its stock. Third, Rule 504 limits the aggregate offering price to  
6 \$500,000 within a twelve-month period. Reliant of America exceeded this \$500,000 limit. Because Reliant of  
7 America did not comply with all conditions of Rule 504, the securities offered and sold in this offering were not  
8 exempt from registration.

9 **3. Sales of Unregistered BMD Enterprises Securities**

10 BMD offered and sold its stock and warrants to Washington investors through its agents, Northwest  
11 Eagle and Reliant of America, under the auspices of "Private Placement" transactions whereby shares of BMD  
12 Enterprises stock and warrants were parked for about one year with Northwest Eagle and Reliant of America and  
13 thereafter distributed to investors. As Northwest Eagle and Reliant of America received funds from investors,  
14 Northwest Eagle and Reliant of America transferred most of the investor funds to BMD Enterprises or Good  
15 Pace. With each infusion of investor funds between March 1994 and July 1998, Good Pace generally paid  
16 commissions to Northwest Eagle and Reliant of America equal to 30% to 40% of the funds invested. In  
17 exchange for investor funds, Northwest Eagle and Reliant of America received shares of BMD Enterprises stock  
18 and warrants. Northwest Eagle and Reliant of America generally received units consisting of one share of the  
19 BMD Enterprises stock and one non-transferable warrant in "Private Placement" transactions between  
20 Northwest Eagle or Reliant of America and BMD Enterprises. According to the terms of the "Private  
21 Placement" transaction, Northwest Eagle and Reliant of America could not transfer or trade the BMD  
22 Enterprises stock for one year. Northwest Eagle and Reliant of America were supposed to distribute the BMD  
23 Enterprises stock to Washington investors about one year after each "Private Placement" transaction.

Between August 1994 and December 1998, BMD Enterprises issued more than 21,150,000 units (one share of BMD Enterprises stock and one non-transferable warrant) to Northwest Eagle and Reliant of America through approximately eleven of these "Private Placement" transactions, which was more than 40% of BMD Enterprises' total issued and outstanding common shares as of March 31, 1999.

At all times relevant herein, the offers and sales of all BMD Enterprises securities were not registered with the Securities Division and no exemption from securities registration was filed with the Securities Division.

**B. REPRESENTATIONS DURING THE OFFERING**

R. Chinn and A. Chinn began selling Northwest Eagle stock in March 1994 and BMD Enterprises stock and warrants beginning at least in March 1995. R. Chinn and A. Chinn began selling Reliant of America stock in October 1995. R. Chinn and A. Chinn continued to sell Reliant of America stock until June 1997 and Northwest Eagle stock and BMD Enterprises stock and warrants until July 1998. R. Chinn and A. Chinn used substantially the same offering materials to solicit investor funds. They also used the entity names, Northwest Eagle and Reliant of America, interchangeably.

Beginning in March 1994, Northwest Eagle, R. Chinn, and A. Chinn represented to Washington investors that investor funds would be used to produce electric cart-style vehicles called the Eagle and Double Eagle for the handicapped. Northwest Eagle and R. Chinn led Washington investors to believe that Northwest Eagle owned the electric vehicles. At that time, Northwest Eagle and R. Chinn were as selling Northwest Eagle stock for ten cents per share. Northwest Eagle, R. Chinn, or A. Chinn gave investors receipts reflecting their investment transactions.

Northwest Eagle, R. Chinn, and A. Chinn then represented to Washington investors that investor funds would be used to (1) purchase BMD Enterprises stock and warrants in a "Private Placement" transaction; and (2) to purchase the "exclusive marketing rights" to market and sell electric vehicles in the United States from Good Pace. Good Pace, a subsidiary of BMD Enterprises since September 1994, designed and produced the Eagle and Double Eagle. Northwest Eagle and R. Chinn represented to Washington investors that BMD Enterprises stock



1 and warrants would be delivered to investors in one year based on the amount of money they invested.

2 Northwest Eagle, R. Chinn, or A. Chinn gave investors receipts reflecting their investment transactions.

3 In October 1994, Northwest Eagle entered into a marketing agreement with Good Pace. According to  
4 the terms of this agreement, Northwest Eagle paid \$150,000 to BMD Enterprises in exchange for the “exclusive”  
5 rights to market, sell, and distribute Good Pace electric vehicles and BMD Enterprises stock and warrants  
6 through a “Private Placement” transaction.

7 Having purchased the marketing rights from Good Pace, Northwest Eagle represented to Washington  
8 investors at least beginning in September 1995 that investor funds would be used to commence marketing and  
9 distribution of Good Pace electric vehicles. These electric vehicles included the Scat About and Reliant import  
10 in addition to the Eagle vehicles. The Scat About was a stand-up electric vehicle. The Reliant import was a  
11 three-wheel vehicle that Good Pace would retrofit with an electric drive system. Northwest Eagle and R. Chinn  
12 represented to Washington investors that it was offering its stock for ten cents per share and that, as part of the  
13 investment, investors would receive BMD Enterprises stock and warrants. Northwest Eagle and R. Chinn  
14 represented to Washington investors that BMD Enterprises stock would be delivered about one year after the  
15 investment and that the number of BMD Enterprises stock and warrants to be delivered would be based on the  
16 amount of money invested. Northwest Eagle, R. Chinn, and A. Chinn gave investors receipts or stock allocation  
17 forms reflecting their investment transactions.

18 Beginning in March 1995 and continuing through at least March 1996, Northwest Eagle also sold  
19 product royalty interests as part of the investment that also included Northwest Eagle stock and BMD  
20 Enterprises stock and warrants. The promised royalties varied between at least \$10 and \$500 per vehicle sold,  
21 depending on the size of the investment, until the initial investment was recovered. Thereafter, investors were to  
22 receive at least between \$5 and \$250 per vehicle sold until 2015. Investors have not received any royalties to  
23 date.

1 From October 1995 to January 1996, R. Chinn and A. Chinn suspended sales of Northwest Eagle stock  
2 and began selling Reliant of America stock. Reliant of America and R. Chinn represented to Washington  
3 investors that it was offering its stock for ten cents per share and that, as part of the investment, investors would  
4 receive BMD Enterprises stock and warrants. Reliant of America and R. Chinn represented to Washington  
5 investors that BMD Enterprises stock would be issued upon completion of a \$250,000 "Private Placement" by  
6 Northwest Eagle and that the number of BMD Enterprises stock and warrants to be delivered would be based on  
7 the amount of money invested. Reliant of America, R. Chinn, and A. Chinn gave investors receipts or stock  
8 allocation forms reflecting their investment transactions.

9 Beginning at least during March 1966, Northwest Eagle and R. Chinn were representing to Washington  
10 investors that Northwest Eagle was offering \$350,000 of its stock for ten cents per share. The terms of the  
11 investment were similar to previous offers and sales, i.e. investors were to receive Northwest Eagle stock and  
12 BMD Enterprises stock and warrants as part of the investment. Northwest Eagle and R. Chinn continued to  
13 represent that Northwest Eagle needed funding to commence marketing and distribution of Good Pace electric  
14 vehicles. These vehicles included vehicles that were to be retrofitted by Good Pace such as the GM Geo Metro,  
15 Ford Aspire and Escort, in addition to the Eagle, Scat About, and Reliant import vehicles. However, Good Pace  
16 ceased producing the Eagle vehicles during 1995 after only about 13 vehicles were produced and only about 40  
17 Scat About vehicles were produced.

18 R. Chinn and A. Chinn suspended sales in Reliant of America stock from April 1996 to June 1996 while  
19 continuing to sell Northwest Eagle stock. In July 1996, R. Chinn and A. Chinn resumed selling Reliant of  
20 America stock until June 1997. Beginning at least in November 1996, Reliant of America, R. Chinn, and A.  
21 Chinn represented to Washington investors that Reliant of America was selling its stock for ten cents per share  
22 and that for a \$10,000 investment, investors would receive 100,000 shares of Reliant of America stock, 43,000  
23 shares of BMD Enterprises stock deliverable in one year, and 43,000 BMD Enterprises warrants. Reliant of  
24 America and R. Chinn represented to Washington investors that in order to exercise the warrants, the investor

1 had to notify W.O. Sullivan, the accountant for Northwest Eagle and Reliant of America and a BMD Enterprises  
2 director, then write a check to Northwest Eagle/Reliant of America. Northwest Eagle/Reliant of America would  
3 then authorize BMD Enterprises to issue a certificate in the investor's name. Reliant of America, R. Chinn, and  
4 A. Chinn gave investors receipts or stock allocation forms reflecting their investment transactions. Reliant of  
5 America and R. Chinn represented to Washington investors that investor funds would be used to market and  
6 produce Good Pace electric vehicles such as the Reliant three-wheel vehicles, and to retrofit Ford Aspire and  
7 Geo Metro with Good Pace electric drive systems.

8 Beginning at least in September 1997, Northwest Eagle and R. Chinn represented to Washington  
9 investors that Northwest Eagle, along with BMD Reliant Motors, Ltd., was raising \$2,600,000, which would be  
10 used by a BMD Enterprises subsidiary, Mini Motors, to develop a fuel cell and to commence production and  
11 sales of Mini Cooper reproduction vehicles called the "Cooper Special" and "Pocket Rocket". Northwest Eagle  
12 and R. Chinn later represented that investor funds would be used to develop a manufacturing facility for Mini  
13 Motors and for retrofit manufacturing, in addition to research and development of the fuel cell. Northwest Eagle  
14 and R. Chinn represented to Washington investors that Northwest Eagle was selling its stock for ten cents per  
15 share and that for a \$10,000 investment, investors would receive 100,000 shares of Northwest Eagle stock,  
16 46,000 shares of BMD Enterprises stock deliverable in one year, and 46,000 BMD Enterprises warrants.  
17 Northwest Eagle and R. Chinn represented to Washington investors that in order to exercise the warrants, the  
18 investor had to notify W.O. Sullivan and write a check to Northwest Eagle. Northwest Eagle would then  
19 authorize BMD Enterprises to issue a certificate in the investor's name. Northwest Eagle, R. Chinn, and A.  
20 Chinn gave investors receipts or stock allocation forms reflecting their investment transactions.

21 Donald Vories began selling Northwest Eagle stock to Washington investors at least in May 1998. R.  
22 Chinn continued to sell Northwest Eagle stock. Northwest Eagle and Vories represented to Washington  
23 investors that for a \$10,000 investment, investors would receive 100,000 shares of Northwest Eagle stock,  
24 46,000 shares of BMD Enterprises stock deliverable in one year and 46,000 BMD Enterprises warrants.

Northwest Eagle and R. Chinn represented to Washington investors that in order to exercise the warrants, the investor had to notify W.O. Sullivan and write a check to Northwest Eagle. Northwest Eagle would then authorize BMD Enterprises to issue a certificate in the investor's name. Northwest Eagle and Vories gave investors receipts or stock allocation forms reflecting their investment transactions. Northwest Eagle and Vories represented to Washington investors that investor funds would be used for research and development and manufacturing of a fuel cell for automobiles.

### **C. MISREPRESENTATIONS AND OMISSIONS DURING THE OFFERING**

Northwest Eagle, Reliant of America, R. Chinn, A. Chinn, and Vories failed to provide a number of Washington investors with any offering materials, including financial statements for Northwest Eagle and Reliant of America.

In connection with this offering, Northwest Eagle, Reliant of America, R. Chinn, A. Chinn, and Vories failed to disclose to Washington investors the risk of inadequate capitalization of Northwest Eagle and the risk of shareholder dilution in Northwest Eagle.

In connection with this offering, at least between August 1994 and March 1996, Northwest Eagle and R. Chinn represented to Washington investors that the BMD Enterprises warrants would be held by investors in their own name about one year after the investment. In fact, Northwest Eagle could not transfer the BMD Enterprises warrants to investors because the warrants acquired by Northwest Eagle in the "Private Placement" transactions were not transferable, a fact which Northwest Eagle and R. Chinn failed to disclose to Washington investors.

In connection with this offering, Northwest Eagle, R. Chinn, and A. Chinn represented R. Chinn to be a successful businessman. In some cases, Northwest Eagle and R. Chinn gave Washington investors resumes for R. Chinn and A. Chinn. However, Northwest Eagle, R. Chinn, and A. Chinn failed to disclose to Washington investors that R. Chinn and A. Chinn filed for Chapter 13 bankruptcy in 1985, which was dismissed in 1991, and that R. Chinn and A. Chinn filed for Chapter 7 bankruptcy in 1992, which was discharged in 1992.

Initially in the connection with this offering, Northwest Eagle and R. Chinn falsely led some Washington investors to believe that Northwest Eagle owned the electric vehicles and failed to disclose to Washington investors that Northwest Eagle would merely be the marketing agent for the electric vehicles. At that time, Northwest Eagle, R. Chinn, and A. Chinn also did not disclose to investors that their funds would be transferred to BMD Enterprises to purchase BMD Enterprises stock and warrants.

In connection with this offering, R. Chinn and A. Chinn represented to Washington investors that Northwest Eagle and Reliant of America possessed the “exclusive marketing rights” to all vehicles developed and produced by Good Pace. However, R. Chinn and A. Chinn failed to disclose to Reliant of America investors which entity in fact owned these “exclusive marketing rights”, i.e. Northwest Eagle. In addition, Northwest Eagle, R. Chinn, and A. Chinn failed to disclose to investors that other individuals and entities were conducting marketing efforts for BMD Enterprises and Good Pace in Northwest Eagle’s “exclusive” territory.

In connection with sales in this offering occurring at least beginning in March 1996, Northwest Eagle, R. Chinn, and A. Chinn failed to disclose to Washington investors that Good Pace ceased producing Eagle vehicles during 1995 and that only about 13 Eagle vehicles were produced.

In connection with this offering, at least beginning in September 1995 Northwest Eagle, R. Chinn, and A. Chinn made representations to Washington investors regarding projected sales of various electric vehicles. Northwest Eagle had published the same sales projections in prior years. However, Northwest Eagle and R. Chinn failed to disclose to Washington investors that Northwest Eagle had not fulfilled its sales projections in prior years. In addition, Northwest Eagle, R. Chinn, A. Chinn failed to disclose to Washington investors the operating history of Northwest Eagle. For example, Northwest Eagle and R. Chinn failed to disclose to Washington investors that other Good Pace vehicles to be marketed by Northwest Eagle had been only produced in small quantities and that production of certain vehicles had ceased with few or no sales.

In connection with this offering, Northwest Eagle, R. Chinn, A. Chinn, and Vories failed to disclose to Washington investors the risk that because Northwest Eagle could only sell Good Pace products, Northwest

Eagle might be limited in its sales and products and that Northwest Eagle might not have a product to market, if for example, Good Pace does not produce a marketable product or cannot finance its operations.

In connection with this offering, Northwest Eagle, R. Chinn, A. Chinn, and Vories represented to Washington investors that there was little or no risk in the investment because investors would receive BMD Enterprises stock. Northwest Eagle, R. Chinn, and Vories represented to other Washington investors that investors would realize a return on their investment because the BMD Enterprises stock would increase substantially, comparable to Microsoft stock or Ballard Power Systems, Inc. stock, which is a Canadian company that develops and sells fuel cell products. However, Northwest Eagle, R. Chinn, and Vories failed to disclose risks that might prevent BMD Enterprises stock from increasing substantially such as developmental and production risks, intellectual property protection risks, and competition risk.

In connection with this offering, Northwest Eagle and Vories represented to Washington investors that BMD Motors, a subsidiary of BMD Enterprises, developed “breakthrough” technology, called the “BMD Electro-Cell Motor Drive”, in the area of fuel cells which would advance commercialization of consumer automobiles with fuel cell drive systems. However, Northwest Eagle and Vories failed to disclose to Washington investors that BMD Enterprises lacked funds to develop a prototype and to commercially produce the “BMD Electro-Cell Motor Drive”.

#### IV.

#### THE OFFERING BY NORTHWEST RELIANT

##### **A. REPRESENTATIONS DURING THE OFFERING**

During June and July 1997, Northwest Reliant and R. Chinn represented to Washington investors that Northwest Reliant, a subsidiary of Northwest Eagle and Reliant of America, was formed to facilitate financing of \$2.6 million for Mini Motors’ operations. Northwest Reliant and R. Chinn represented to Washington investors that Mini Motors would engage in the production, sale, and distribution of Mini Cooper reproductions, which would be available with gasoline engines and the Good Pace “Certified Electric Drive System”. Northwest Reliant and R.

Chinn represented to Washington investors that Mini Motors required funding to commence production, marketing, and sales of vehicles immediately. Northwest Reliant and R. Chinn represented to Washington investors that Northwest Eagle and Reliant of America were the "Exclusive Marketing" agents for all products produced by Mini Motors and Good Pace.

Between June and July 1997, Northwest Reliant and R. Chinn sold approximately \$149,250 in Northwest Reliant convertible promissory notes to about 15 investors, five of whom are Washington residents. The Northwest Reliant promissory notes have a 15% annual interest rate and mature in two years. The promissory notes are renewable at the holder's option. Northwest Reliant and R. Chinn represented to Washington investors that Northwest Eagle, Reliant of America, and Mini Motors guaranteed the promissory notes.

Northwest Reliant and R. Chinn represented that the promissory notes were convertible into BMD Enterprises stock. In some cases, Northwest Reliant and R. Chinn represented to Washington residents that upon conversion, warrants would be issued equal to the number of BMD Enterprises stock issued. These warrants were to expire in two years and would be exercisable at the same price as the conversion price during the first year and at 1.15% of the conversion price during the second year. In other cases, Northwest Reliant and R. Chinn represented to Washington residents that at the time of conversion, the note-holder will receive BMD Enterprises stock equal to 20% of the face amount of the note and two year warrants equal to 40% of the face amount of the notes.

## **B. MISREPRESENTATIONS AND OMISSIONS**

In connection with this offering, Northwest Reliant and R. Chinn represented to some investors that the notes were convertible to shares of BMD Enterprise stock at any time after issuance at a discount of 25% of the market price of BMD Enterprises stock at the time of conversion. However, Northwest Reliant and R. Chinn failed to disclose to Washington investors that the conversion price of the Northwest Reliant promissory notes to BMD Enterprises stock was subject to a 15-cent minimum (Canadian) purchase price per share.

In connection with this offering, Northwest Reliant and R. Chinn failed to disclose to investors the nature of Northwest Reliant's intended business and the source of funds from which Northwest Reliant intended to repay the promissory notes it had issued to investors. Northwest Reliant and R. Chinn failed to provide some investors with

1 financial statements for Northwest Reliant. In addition, Northwest Reliant and R. Chinn represented to Washington  
2 investors that Northwest Eagle, Reliant of America, and Mini Motors guaranteed the promissory notes. However,  
3 Northwest Reliant failed to provide Washington investors with financial statements for Northwest Eagle, Reliant of  
4 America and Mini Motors to determine whether these companies were adequately capitalized to repay the  
5 promissory notes.

### 6 **C. SALES OF UNREGISTERED SECURITIES**

7 Northwest Reliant did not register the offer and sale of Northwest Reliant convertible promissory notes  
8 with the Securities Division. In addition, Northwest Reliant did not file any claims of exemption from securities  
9 registration with the Securities Division.

## 10 **V.**

### 11 **REGISTRATION STATUS OF BROKER-DEALERS AND SALESPERSONS**

12 Northwest Eagle, Reliant of America, Northwest Reliant, Roger Chinn, Arlene Chinn, and Donald  
13 Vories, are not currently registered as securities broker-dealers or salespersons in the state of Washington and  
14 have not previously been so registered.

15 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

## 16 **CONCLUSIONS OF LAW**

### 17 **I.**

### 18 **SECURITIES**

19 The offers and sales Northwest Eagle stock, royalty interests, receipts, and subscription agreements, Reliant  
20 of America stock, receipts, and subscriptions agreements, and BMD Enterprises stock and warrants, described in  
21 paragraphs I through V of the Tentative Findings of Fact constitute the offer and sale of a security as defined in  
22 RCW 21.20.005(10) and (12): stock, notes, warrants, receipts for stocks and warrants, rights to purchase stock,  
23 subscription agreements, or investment contracts.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

**II.**

**REGISTRATION OF SECURITIES**

Respondent, BMD Enterprises has violated RCW 21.20.140 because no registration for the offers and sales of the securities described in paragraphs I through V of the Tentative Findings of Fact was on file with the Administrator of Securities, state of Washington and no exemptions appear to have been available.

**CONSENT ORDER**

The Securities Division and BMD Enterprises, Inc. have agreed upon a basis for resolution of the above matters found and concluded in SDO 42 – 99, STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND DESIST.

Based upon the foregoing, NOW, THEREFORE, IT IS AGREED AND ORDERED that BMD Enterprises, Ltd. and its agents, employees, affiliates and successors, shall each cease and desist from offering and selling securities in any manner in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

IT IS FURTHER AGREED AND ORDERED that BMD Enterprises, Ltd. or any of its affiliates or successors, will not claim or rely on any of the exemptions from registration under RCW 21.20.310(1), (9), (11), (13), or (17) for a period of three (3) years from the date of entry of this CONSENT ORDER unless BMD Enterprises, Ltd. or any of its affiliates or successors obtain written permission from the Securities Administrator prior to any offer of securities undertaken in reliance upon any of the aforementioned exemptions.

IN CONSIDERATION OF THE FOREGOING, BMD Enterprises, Ltd. withdraws its request for hearing and waive its right to a hearing on this matter, and the Securities Division hereby vacates the STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND

DESIST SDO 42 – 99 as to BMD Enterprises, Ltd., except to the extent that the allegations and conclusions in that Statement of Charges have been incorporated and set forth herein.

**WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

Signed by:

Approved as to form:

\_\_\_\_\_  
Ross Cumberland, President  
BMD Enterprises, Ltd.

\_\_\_\_\_  
Marianne K. Jones  
Attorney for BMD Enterprises, Ltd.

ENTERED this \_\_\_\_\_ of \_\_\_\_\_, 2000.

\_\_\_\_\_  
Deborah R. Bortner  
Securities Administrator

Approved by:

Presented by:

\_\_\_\_\_  
Michael E. Stevenson  
Chief of Compliance

\_\_\_\_\_  
Marlo DeLange  
Securities Examiner